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Africa Review

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Articles have been coordinated as appropriate with other offices within CIA. Comments and queries regarding this publication may be directed to the Chief, Production Staff, Office of African and Latin American Analysis, [redacted] 25X1
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Articles

Southern Africa: Economic Challenges for the Developing Countries

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We believe that real economic growth for most of southern Africa's developing nations [1] in 1985 is unlikely to improve the region's 2-percent average annual growth rate between 1978 and 1983. Economic performance, in our view, will be limited by the low world prices of the region's commodity exports, a recession in South Africa, scattered insurgencies, and the continuing need for food imports.

Commodity Prices

Most of the developing economies of southern Africa depend heavily on one or two commodity exports for foreign currency earnings. Among them, only Botswana has managed to escape the impact of stagnant prices by increasing the volume of its exports. World prices of these commodities have fallen in real terms since 1980, cutting export earnings for Angola, Namibia, Swaziland, and Zambia. Most private economic forecasters foresee no significant recovery in the world prices of oil, uranium, diamonds, copper, or sugar during 1985.

Zambia has been hit especially hard by low copper prices, forcing heavy debt rescheduling. An oversupply of copper on the world market, the prospect of stagnant demand as optic fibers are substituted for copper wire, and the expected depletion of Zambian copper reserves in another 15 years do not bode well for the country's future export revenues.

[1] For the purposes of this discussion, southern African developing nations include Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland, Zambia, and Zimbabwe.

Major Sources of Export Earnings for Selected Southern African Countries, 1983

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	Commodities	Foreign Currency Earnings (*percent*)
Angola	Crude oil	90
Botswana	Diamonds	67
Namibia	Diamonds, uranium	58
Swaziland	Sugar, wood products	60
Zambia	Copper	90

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Relations With South Africa

Business initiatives by South African companies, and the attraction of job and marketing opportunities, have created a network of economic ties between South Africa and its neighbors. As a result, the entire region has suffered from South Africa's severe economic recession, marginal growth in its demand for migrant labor and imported commodities, and reduced private South African investment in the region. 25X1

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Zimbabwe—which has the broadest economic base of southern Africa's developing countries—is also the most sensitive to swings in South African consumer spending. Some 70 percent of its exports of manufactured goods are sold in South Africa. Sluggish South African economic growth, which we believe will not exceed 2 or 3 percent in 1985, will slow Zimbabwe's economic recovery. 25X1

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For Namibia, the South African economic recession and uncertainty over the issue of Namibian independence have caused a serious drain of private foreign capital and made Pretoria reluctant to develop the potentially rich Kudu gasfields off the Namibian coast. Until the independence issue is resolved, the territory's rapid economic downslide is likely to continue. [redacted]

Internal Conflicts

Insurgencies in Mozambique and Angola have accelerated an economic decline originally prompted by unrealistic policies and an exodus of skilled Portuguese workers after independence in 1975. The rebels have pushed farmers from productive lands and disrupted transportation. [redacted]

For Mozambique, we estimate that the modern economy—including exports—has shrunk by nearly 50 percent since independence. In 1983, Maputo fell into arrears for the first time on debt service payments to Western lenders. Despite extensive rescheduling of payments last year, Mozambique's debt problems probably will increase unless the insurgency is brought under control and potential economic ties to South Africa and other neighboring countries are better exploited. [redacted]

In Angola, the insurgency effectively isolates the modern economy from the rest of the country. Petroleum production—Angola's leading industry—has been protected from insurgent sabotage so far, and has assumed an increasingly important role with the decline of other exports. The level of insurgent attacks will be the main factor in determining whether petroleum export earnings go to rebuild Angola's war-torn economy or to buy more Soviet Bloc military hardware and personnel support. [redacted]

Even in countries where internal conflicts have not reached the level of guerrilla warfare, sociopolitical realities may seriously constrain government options for enhancing economic performance. Zimbabwe, for example, must resolve its foreign payments problems and reduce government expenditures to resume the rapid growth it enjoyed after independence in 1980 and improve strained relations with the IMF. Harare's last standby agreement with the IMF collapsed when it could not meet the Fund's targets. Imports of military equipment to control ethnic unrest, however, have consumed increasing amounts of scarce foreign exchange. [redacted] 25X1

Food Imports

Drought in southern Africa has made the entire region dependent on food imports. Even in years of average rainfall, only South Africa and Zimbabwe normally are net food exporters. South Africa has been the dominant grain producer, with Zimbabwe a distant second. Until 1983, Pretoria had large surpluses available for export, but drought has forced cancellation of grain sales to traditional customers such as Zambia. [redacted] 25X1 25X1 25X1

Preliminary data on rainfall for the critical months of December and January suggest that the 1984-85 growing season will be marred by a fourth consecutive year of drought in much of southern Africa. Significant grain imports will continue through 1985 for most of these developing countries. Serious malnutrition, however, probably will be limited by mid-1985 to those areas plagued by insurgency or extreme poverty. [redacted] 25X1

Mozambique has suffered the most from drought in the region, especially in 1983 when as many 100,000 people died, according to press [redacted] reports. Extensive food assistance has relieved severe malnutrition in many parts of the country, although pockets of serious food shortages remain. These shortages are likely to worsen at least until the next harvest in May and June. [redacted] 25X1 25X1 25X1

[redacted] 25X1

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West and Central Africa: Economic Outlook [redacted]

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Per capita growth in West and Central Africa probably will continue to decline for the remainder of the decade. The effects of drought, foreign exchange shortages, and austerity or stabilization programs, in our judgment, will constrain growth for the next several years. While the overall outlook for the region is pessimistic, some countries, particularly Congo, Cameroon, and Togo, are likely to sustain their relatively positive performances for the next few years. The decline also may have bottomed out for others, who could begin a period of slow but steady growth over the next few years.

Ghana, with black Africa's second-largest economy [redacted] has received economic shock treatments that seem to have checked its long downward spiral. Five devaluations since April 1983, price liberalizations, budgetary discipline, and efforts to rehabilitate the key economic sectors produced a second consecutive year of positive growth in 1984. Nevertheless, the economy remains depressed—real GDP is still below that of 1973—and further progress depends on the capacity of the Rawlings government to withstand considerable domestic pressure. 25X1

The Central African oil producers, *Congo, Cameroon,* and *Gabon,* are likely to achieve modest growth over the next several years despite the weak oil market, but only if they can limit imports, contain government spending, and avoid excessive external borrowing. The longer term outlook is unfavorable, however, because oil production is expected to decline in the early 1990s.

Foreign Exchange
The region's foreign exchange shortage is not likely to ease measurably within the near term. Although the prices for some West and Central African commodities strengthened somewhat during 1984, most countries will face a continuing decline in foreign exchange earnings from their peak in 1980.

Selected West and Central African Exports

	Commodity	1983 Export Earnings (*percent*)
Nigeria	Crude oil	95
Ghana	Cocoa	96
Senegal	Peanuts	19
Zaire	Copper	44
Ivory Coast	Coffee	20
	Cocoa	20
Gabon	Crude oil	68
Burkina	Cotton	42
Liberia	Iron ore	62
	Rubber	17

[redacted] 25X1

Even with improved prices for the *Ivory Coast*'s principal exports, coffee and cocoa, Abijan will lack sufficient foreign exchange to finance imports and service external debt. Ivory Coast, Africa's second-largest debtor (after Nigeria) probably will have to reschedule about $2 billion during 1985. The restrictions on vital imports are endangering the maintenance of the region's best infrastructure and may cause an economic decline for the fourth consecutive year.

Nigeria, black Africa's largest economy, even with the prospect of another year of lower oil earnings, must continue to import huge quantities of food because per capita food production in 1983 was 8 percent below the 1969-71 average. About 25 percent of foreign exchange earnings will be spent for food and at least 45 percent must go for debt service. We believe that Nigeria will continue to resist a sizable devaluation as long as possible, thereby precluding IMF assistance.

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Policy Reform
A number of West and Central African countries have agreed to economic reforms designed to reduce the role of government and encourage the operation of free market forces. Between 1979 and 1984, the IMF made arrangements with the Central African Republic, Congo, Equatorial Guinea, Gabon, The Gambia, Ghana, Guinea, Ivory Coast, Liberia, Mali, Niger, Senegal, Sierra Leone, Togo, and Zaire. Although these governments generally have avoided implementing the most far-reaching reforms, a few, like Ghana, are becoming so desperate that they are willing to submit to IMF requirements in order to obtain prolonged assistance.

The government of *Zaire* has been able to sustain reform, in part because the standard of living is so low that its impact is minimal. The effects of reform on the economy are further reduced by corruption at high levels and by President Mobutu's personal control of key economic elements. Zaire has rescheduled its debts every year but one since 1976, and, [redacted] it will have to reschedule every year until the end of the decade.

Senegal has had four successive IMF stabilization programs, all largely ineffective in reversing economic decline. As West Africa's largest recipient of foreign aid, the government has been able to supplement its budget to support over 80 parastatals. We believe that the 1985 IMF program, which will involve all major donors, is likely to be successful in encouraging some changes. In our view, however, social pressures that could seriously threaten President Diouf's survival will prevent him from moving decisively toward reform.

Agriculture
Food will continue to be West Africa's principal concern for years. Production shortfalls and chronic food shortages are likely to continue their pattern of the past. Average per capita food production during 1980-82 had declined from the 1969-71 average everywhere but in the Central African Republic, Cameroon, and Ivory Coast. Only Ivory Coast, however, has sustained that level of growth. Ghana, on the other hand, is producing less than 75 percent of its 1969-71 level of production.

Countries of the Sahel (Chad, Niger, Mali, Burkina, Senegal, The Gambia, and Cape Verde) that are affected by periodic drought and lack substantial resources, probably will remain dependent on massive food aid for years. Despite efforts by the World Bank and others to overhaul Sahelian agriculture and some government efforts to encourage food production in Senegal and Mali, little improvement is likely, in our judgment.

[redacted]

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East Africa: Troubled Economies 25X1

We believe the East African regional economy will expand only sluggishly over the next few years. Moreover, because of the region's high population growth rate, real per capita incomes probably will stagnate at best.[1] Economic growth will be limited by a combination of factors that apply, in varying measure, to each of the countries in the region: the paucity of human, physical, and capital resources; the burden of corruption, political cronyism, and government efforts to control economic activity; continuing foreign exchange shortages; the effects of drought; and disruptions imposed by ongoing insurgencies.

Government Programs

Government policies over the next few years will be a major factor influencing the economic environment, thereby affecting production and investment decisions. Although some countries are moving toward liberalization, we believe the overall picture will remain one of substantial government intervention in economic activity.

We see little evidence that the leftist Mengistu regime in *Ethiopia* will substantially alter its policies. Addis Ababa's program has kept producer prices low, resulted in large-scale nationalizations, diverted scarce financial resources to inefficient state enterprises, channeled skilled manpower and material resources to military and security forces, and scared off investors.

The *Tanzanian* Government has implemented some liberalization measures, including devaluation, the elimination of subsidies on some consumer goods, and higher producer prices for export and food crops. We doubt, however, that the wide-ranging structural reforms necessary to start the economy on the road to recovery will be taken. President Nyerere, a committed socialist, is likely to maintain a strong voice in government even if he retires as planned in late 1985. 25X1

Although policies in *Kenya* have been successful compared to the rest of East Africa, continuing government efforts to maintain control over economic activity probably will constrain growth over the next few years. The US Embassy has reported that pressure for liberalization will be opposed by the government because of its strong resentment of foreign pressure, key policymakers' distrust of 25X1 Western-style economic solutions, and personal commercial involvement by high-level officials. 25X1

Somalia's IMF-backed liberalization program, including a currency devaluation, the establishment of a dual foreign exchange market, the end of price controls, and the virtual abolition of import and export licensing, has brightened the country's economic prospects. The short-term costs, however, 25X1 could be steep: the measures probably will depress trade, stimulate hoarding, and strain the government's weak managerial capacity. Moreover, the program limits President Siad's ability to dispense patronage, an important element of his power base. If the side effects prove too painful politically or if donors do not respond quickly with increased aid flows, Siad soon will come under severe pressure to back away from the agreement. 25X1

Financial Problems

The region's foreign exchange crunch is unlikely to ease much over the next few years. Export earnings will be limited by expected declines in coffee, tea, and cotton prices from current levels, by export restrictions on coffee and livestock, and by domestic production problems. Moreover, vital foreign aid flows will be increasingly affected by donor budget

[1] For this paper, East Africa has been defined as the region encompassing Ethiopia, Somalia, Djibouti, Kenya, Uganda, Tanzania, and Malawi. We have concentrated primarily on Ethiopia, Somalia, Kenya, and Tanzania.

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East Africa: Major Commodity Exports, 1984

	(Volume 1980 = 100)	Share of Total Export Earnings (*percent*)
Ethiopia		
Coffee	109	61
Hides and skins	80	10
Malawi		
Tobacco	72 [a]	48 [a]
Tea	115 [a]	22 [a]
Sugar	99 [a]	11 [a]
Kenya		
Coffee	81 [a]	18 [a]
Tea	117 [a]	19 [a]
Petroleum	40 [a]	19 [a]
Somalia		
Livestock	70 [a]	75 [a]
Bananas	197 [a]	8 [a]
Tanzania		
Coffee	117	34
Cotton	111	12
Tea	133	9
Sisal	55	3
Tobacco	78	3
Uganda		
Coffee	102 [a]	95 [a]

[a] Figures are for 1983.

constraints. At the same time, however, some countries will need commercial food imports, and debt service obligations will remain hefty.

Stagnating exports and the government's unwillingness to cut imports have depleted foreign reserves in *Ethiopia,* and the regime reportedly is selling gold to raise cash. Pressures will intensify this year in part because of the need for sizable commercial food purchases. In the absence of increased financial aid flows, Ethiopia will have to slash nonfood imports and possibly seek additional commercial loans, begin to build up arrearages, approach the IMF, or seek a rescheduling of Western-held debt. 25X1

Tanzania's chronic financial problems likely will not ease significantly because recent economic reforms will not quickly reverse the 25-percent decline in totalexport volume that, 25X1
has occurred since 1980. As a result, the government probably will not be able to increase import volumes much and will continue to juggle the purchase of food, medicine, petroleum, and other essential goods. 25X1

Even if *Somalia*'s economic program is approved by the IMF's leadership, the resulting inflow of funds will only help ease—not end—Mogadishu's critical foreign exchange shortages. The government still must reschedule quickly growing debt service obligations to meet IMF targets. Moreover, we believe Somalia will be hard pressed to find alternative markets for its livestock if the Saudi Arabian ban on Somali cattle imports continues.[2] According to US Embassy reporting, for example, a recently implemented export deal with Egypt will only yield $9 million over the next six months, with 20 percent of this held back by Cairo to help cover military debts. 25X1

Effects of Drought

The effects of drought will continue to influence economic activity over the near term in key countries of the region. The continuing crisis will affect fragile agricultural and agriculturally based industrial sectors, inadequate transportation networks, and strapped government finances at least through 1985. Probable export crop losses will lower hard currency revenues at the same time that government expenditures on relief efforts and commercial food imports will increase. 25X1 25X1 25X1

The recently completed harvest in *Ethiopia*—worst hit by drought—may be some 25 percent below

[2] As a result of Saudi Arabia's mid-1983 ban on Somali cattle imports, Mogadishu's export earnings have fallen by more than half, to only $60 million. 25X1

normal, leaving food stocks exhausted. As a result, famine almost certainly will continue in the north and spread to other parts of the country this year, and deaths will accelerate. Moreover, an exodus of refugees has drained labor from agricultural areas and made hundreds of thousands of people dependent on the regime for food, clothing, and shelter.

Even though *Kenya*'s November/December short rains—which water about 20 percent of annual production—generally were on time and adequate, it is too early to conclude that the drought is over. To assure adequate food supplies and help rebuild national stocks, therefore, the government will continue its commercial import program. A solid foreign exchange reserve level, current high world prices for coffee and tea, and an improved tourism picture should provide some insulation, but Nairobi still is likely to encounter balance-of-payments problems later this year as the bills for its food purchases come due. In recognition that economic pressures will continue, Kenyan officials have negotiated a $135 million IMF package and are approaching commercial bankers and donors for more funds. Moreover, foreign exchange pressures could continue in 1986 if coffee production—which is expected to decline 35 to 40 percent this year because of the drought—does not recover and stock drawdowns to meet the 1985 international quota leave insufficient supplies for next year's exports.

Damage From Guerrillas and Border Disputes

Internal conflict and border disputes will continue to drain the economies of several East African countries. In *Uganda,* for example, a growing insurgency threatens to derail the economic progress of the past few years. *Ethiopia* continues to battle longstanding and debilitating insurgencies in the north, and both Ethiopia and *Somalia* maintain a substantial military presence along their joint border, in part to counter cross-border insurgent operations sponsored by each government. These conflicts will directly affect economic activity by causing high government spending on defense and refugees, probably at the expense of development projects. They also damage the physical infrastructure, such as bridges and roads; deplete agricultural and industrial production; and disrupt transportation and distribution networks. The economies suffer indirectly in varying degrees from reduced business confidence, capital flight, government preoccupation with military matters, and the pursuit of economic policies designed to buy political support.

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Congo: Limited Move Westward [1] 25X1

Shortly after independence from France in 1960, Congo turned sharply leftward, pursuing socialism and close ties with the Soviet Union. In the late 1970s, however, growing economic problems and irritation at the lack of Soviet development aid caused Brazzaville to look for more assistance from the West, particularly from France—traditionally its chief economic partner and benefactor. In recent years, under President Sassou-Nguesso, Congo has quickened the pace of its move toward the West by trying to reduce Congo's dependence on the Soviet Union and at times displaying a more nonaligned posture.

We see no individual threats to Sassou and expect him to continue Congo's Westward drift, albeit within definite limits. Sassou's commitment to Third World ideology, the importance of Marxism to maintaining political stability, fears of fostering serious opposition from leftists, and Congo's need to maintain access to Soviet arms work against more fundamental change. If events in Angola were to result in the loss of Soviet military access to Luanda, Congo's military importance would increase and we would expect Moscow to expend more resources to counter Brazzaville's flirtation with the West, perhaps pressing for naval and air basing rights. Although Congo's Westward movement might be slowed or even reversed should a more radical regime emerge, we believe any new ruler in Brazzaville would still have to deal with the United States and Western Europe to preserve essential trade, aid, and investment links.

Background

Since the early 1960s, successive governments in Congo have espoused socialist development and a left-leaning foreign policy. Ostensibly nonaligned, Brazzaville has sided with Communist states on most matters of international importance and become militarily dependent on the Soviets, but still has allowed considerable scope for a Western role in Congo's oil-driven economy. Once considered to be in the vanguard of a Marxist trend in Africa as well as one of the continent's more turbulent countries, the US Embassy points out that Congo has moderated its policies in recent years and found a measure of stability under the astute leadership of Denis Sassou-Nguesso. 25X1 25X1

In our view, ethnicity remains the major divisive element in Congolese politics, although at times ideological differences have contributed to the turmoil that has characterized Congolese political life. We agree with the Embassy that the pursuit of Marxist policies has played a critical role in allowing military leaders from northern ethnic groups to predominate over the country's traditionally better educated and more numerous southerners. Marxism has been used to mask actions whose true basis was ethnic, to bridge diverse ethnic and regional rivalries, to mobilize the population, and to maintain order. 25X1

Congo was governed by southern-dominated elites after gaining independence from France in 1960 until 1968. President Massamba-Debat, who came to power in 1963, established a Marxist one-party system, a nascent state sector, and a pro-Soviet foreign policy. Massamba-Debat's efforts to consolidate power exacerbated ethnic and regional differences, according to the Embassy, and led to an extended power struggle culminating in the installation in 1968 of President Ngouabi, who 25X1 25X1

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headed the first of three northern-dominated military regimes. [redacted]

Under Ngouabi's initiative, Congo was proclaimed Africa's first "people's republic" in 1970, with all the trappings of a Communist state. Ngouabi kept Congo in the French-backed African franc zone, however, and began a process followed by his successors of gradually improving relations with the West in search of more investment and development aid. His assassination in 1977 led to two years of rule by President Yhomby-Opango who was replaced by Sassou in Congo's first nonviolent change of government since independence. Although Sassou came to power with the support of hardline leftists in the military and has preached standard Marxist rhetoric, the Embassy points out that he has generally followed a more moderate course than his military predecessors. [redacted]

Communist Connections

In our view, the USSR has both political and limited military aims in Congo, which is one of the few African states to have a formal treaty of friendship and cooperation with Moscow. Politically, the US Embassy reports that the Soviets' primary goal is to limit Western and Chinese influence, to keep Brazzaville on a socialist path, and to be able to count on its support in international forums. In addition, despite repeated refusals by several Congolese presidents, Embassy reporting indicates that Moscow still nurtures hopes of acquiring naval base rights in Pointe Noire and concluding a mutual defense treaty. We believe the Soviets might seek base rights for contingency purposes should Moscow lose access to Luanda, now the primary support site for Moscow's small West African naval patrol and for periodic Soviet TU-95 naval reconnaissance aircraft deployments in the South Atlantic. [redacted]

[redacted]

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Moscow's primary source of influence in Congo, according to the US Embassy, is its military assistance program. After establishing diplomatic relations in 1964, Moscow quickly displaced France as Congo's principal arms supplier. We estimate that, since the mid-1960s, Moscow has delivered $200 million in military equipment to Congo, including at least 23 MIG-21 fighters and eight MI-8 helicopters. According to the Embassy, the Soviets have 100 military advisers in Congo, most of whom are technicians or instructors for the Air Force. Military training in the Soviet Union also is provided for approximately 100 Congolese per year, and, according to the Embassy, a substantial number of Congolese receive military training in Cuba [redacted] 25X1 25X1

The Soviets also have an active political and cultural exchange program, which includes the frequent exchange of party delegations. According to the US Embassy, the Soviets provide approximately 80 scholarships per year, down from a high of 150 in 1983, and we estimate that about 1,240 Congolese students are in the Soviet Union. There are also some 800 Congolese youths studying in Cuba. [redacted] 25X1

Communist economic aid and trade with Congo is minimal. The US Embassy estimates there are about 400 Soviet civilian technicians in Congo, mostly in the health and education sectors. Brazzaville, however, must pay their salaries in hard currency. Several other Communist countries, including Cuba, East Germany, and Bulgaria, also provide civilian technicians. We estimate that the Soviet Union has provided $3 million in economic aid over the past five years. According to the Embassy, Soviet trade with Congo declined 40 percent in 1983 alone and now totals under $5 million annually. [redacted] 25X1 25X1

Gradual Trend Toward Moderation

Since assuming power, Sassou has quickened somewhat the pace of improving relations with the West, according to the US Embassy. In search of

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Congo: The Economy at a Glance

Although Congo is officially socialist, the US Embassy reports that private-sector trade and manufacturing—mostly French owned—comprises some 60 percent of all economic activity. The rest of the economy is closely tied to numerous inefficient and overstaffed state enterprises, which are a serious drain on the treasury. Most of the country's population, however, still engages in subsistence agriculture. The economy is based predominantly on the production of petroleum, which provides about 90 percent of Congo's exports and about two-thirds of government revenues. Congo, with estimated reserves of 1.6 billion barrels, is black Africa's fifth-ranking oil producer, averaging about 6 million metric tons in 1984. The economy also benefits from Congo's location at the crossroads of transit trade to and from Zaire, Central African Republic, Chad, and Gabon. Customs receipts provide government revenues, while service and transport industries provide extensive employment. [redacted]

Congo has suffered a significant economic downturn in the past two years, according to US Embassy reporting, because of lower-than-expected oil revenues, poor performance of state enterprises, and excessive short-term borrowing to finance development. The soft world oil market, oil production problems, and increased production costs caused oil earnings to fall 20 percent below expectations in 1983. Meanwhile, the growth rate of the nonoil sector also fell substantially as state enterprises incurred substantial payment arrears. Real GDP growth declined sharply to 3.6 percent in 1983 from an average of nearly 18 percent from 1979-82, and outstanding external debt nearly tripled to $1.7 billion—equivalent to three-fourths of Congo's GDP. In addition, according to the Embassy, oil revenues in 1984 were not sufficient for the first time in recent years to cover Congo's public debt payments, and oil receipts due in early 1985 probably will only cover arrears through last November. According to the US Embassy, debt service and salaries during the next two years are likely to absorb all oil revenues, leaving investment under the current development plan totally dependent on external financing. The Embassy reports that Sassou has begun steps to rein in Congo's ambitious development plan in recognition that the government will have to follow austere policies for at least the next two years. [redacted]

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Western aid and investment, Sassou has made some efforts to liberalize the economy, tried a bit harder to reduce Congo's dependence on the Soviet Union, and chosen at times to display a more genuinely nonaligned international posture. In our view, these trends have become especially noticeable in the past year, despite opposition from leftist ideologues, as Sassou's political position has strengthened and as Congo's economic situation has worsened. [redacted]

We believe Congo's increasingly pragmatic turn toward closer relations with the West is motivated primarily by a belief that increased Western investment and aid are critical if the country is to overcome current economic problems and ensure future growth after its modest oil resources are depleted, perhaps as early as the 1990s. Congo's commercial dealings with the West have grown in recent years, which the US Embassy reports has underscored to Brazzaville the value of Western economic ties and reinforced doubts about what development aid can be expected from the Soviets and fellow socialist countries. [redacted]

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In addition to irritation at the insignificance of Soviet economic aid, the US defense attache reports that the Congolese are disappointed with the quality of Moscow's military assistance program. Both factors, in our view, have given Brazzaville incentive to look Westward for alternatives. According to the attache, senior officers have complained about the poor quality of equipment, long delays in the delivery of spare parts, and Moscow's recent insistence on up-front payments for services. The Congolese also are

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Congo: Selected Financial Indicators [a]

	1979	1980	1981	1982	1983	1984 [b]
	Million US $					
Exports (f.o.b.)	496	910	1,073	1,108	1,067	1,193
Petroleum	344	727	951	977	959	1,086
Imports (f.o.b.)	−363	−545	−805	−715	−651	−575
Trade balance	133	365	269	393	417	618
Current account	−99	−166	−498	−443	−393	−219
Gross foreign reserves	NA	95	130	42	12	NA
Disbursed debt outstanding	600	1,218	1,272	1,515	1,689	NA
	Percent					
Real GDP growth	NA	17.7	24.0	13.0	3.6	3.1
Inflation (GDP deflator)	NA	20.3	21.2	16.3	9.1	4.4
Debt service ratio	NA	8.9	22.8	25.3	25.5	23.4

[a] Data from open sources.
[b] Estimated.

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unhappy with the quality of Soviet military training, which they claim—in conversations with US Embassy officials—emphasizes political indoctrination at the expense of practical training.

Signs of Moderation

Sassou has placed political moderates in several essential government positions, according to the Embassy, as the regime strives to encourage a greater Western role in the economy—particularly by France—and tries to diversify the country's sources of military supply. Diplomatic and economic ties have improved significantly with the United States, according to the Embassy, while the Soviets are kept at greater distance and foreign policy has become more evenhanded at times.

Ascendancy of Moderates. Sassou has acted in recent years to strengthen Congo's moderate faction at the expense of pro-Soviet ideologues. He finally succeeded in establishing his political dominance during a party congress last July, when he was unanimously elected to another five-year term as president and party chairman. He also assumed control of the security apparatus while maintaining control of the Army, won the right to unilaterally appoint the party's political bureau, and gained the power to impose limits on the autonomy of cabinet ministers. Sassou also increased the number of party patronage positions he can dole out. 25X1 25X1

In our view, Sassou's Cabinet now is composed primarily of pragmatic technocrats who appear to us to support his efforts to improve relations with the West. The US Embassy reports that, during and immediately after the party congress, Sassou dismissed or demoted a number of ideologues—some with close Soviet ties. His boldest move was the sacking of Thystere Tchicaya, the party's leading leftist ideologue and allegedly the second most powerful figure after the President. 25X1 25X1 25X1

[redacted] 25X1

Moves to Liberalize the Economy. Despite opposition from ideologues, the US Embassy reports that Sassou has undertaken a number of moves to encourage private enterprise, while reducing the scope of the public sector. Sassou created a Ministry of Small and Medium Enterprises last year, that—according to the US Embassy—appears to be taking the point role in Congo's efforts to increase Western trade, aid, and investment. The Embassy indicates that Brazzaville also plans to establish regional chambers of commerce to cut redtape, improve communication between small businessmen and the government, and encourage foreign and domestic venture capitalism. Moreover, the investment code—already one of the most liberal in black Africa—will be revised to make it even more attractive. [redacted] 25X1

The US Embassy reports that Sassou also has expended large sums to restructure and improve management of state enterprises in recognition of the need for reform. During the last two years, the government has sought to improve the performance of the 10 most important parastatals by reducing the number of unneeded managers and by emphasizing the need to show a profit. The state monopoly on marketing agricultural crops has been lifted and producer prices have been increased in an effort to boost the country's low agricultural production. [redacted] 25X1

Diversifying Military Suppliers. In our view, unhappiness with the quality of Soviet military equipment and training has led the Congolese military to seek Western equipment and training. According to the US Embassy, the Air Force and Navy are particularly interested in diversifying military transport capability. Two years ago, Congo purchased 60 trucks and six coastal craft from France and three patrol boats from Spain. According to the Embassy, in the next few years Congo plans to purchase additional transport from the French, including a C-130 aircraft. In addition, more Congolese military personnel received training in France last year than in the Soviet Union, and, according to the Embassy, Brazzaville would like to increase the number of military officers traveling to France and other Western countries for training. [redacted] 25X1

[redacted] 25X1

Zimbabwe: Tribalism Weakens Ruling Party [redacted]

25X1

The ethnic and political competition between Prime Minister Mugabe's ruling, and Shona-based, Zimbabwe African National Union (ZANU) and Joshua Nkomo's opposition, and Ndebele-based, Zimbabwe African People's Union now appears to have given way to internal divisions within ZANU. Subethnic divisions among the Shona,[1] reinforced by personal rivalries and differing political views, are weakening the majority party. [redacted]

Pre-Party Congress Maneuvering

Mugabe and his fellow Zezuru—the second-largest Shona subgroup—have dominated ZANU since independence. The Karanga are the largest Shona subgroup, but the Zezuru and other non-Karanga traditionally have banded together to deny the top ZANU positions to the Karanga. Consequently, the Karanga, despite their numerical importance to the party, feel threatened by the Zezuru and their allies, [redacted]

The longstanding subethnic frictions among the Shona resurfaced last year during the political maneuvering that preceded the first postindependence ZANU party congress in August. These differences previously had been muted by ZANU's preoccupation with its role as the ruling party and by competition with Nkomo's opposition party—a conflict that still grabs headlines as ZANU militants harass Nkomo and his supporters. [redacted]

The first public intraparty fissure between the Zezuru and Karanga factions occurred during the ZANU Women's Congress in March. Zezuru manipulation of the congress rules apparently prevented Karanga candidates from gaining office. [redacted]

The Manyika, the third-largest Shona subgroup, joined the assault on Karanga interests several months later. [redacted] 25X1 25X1

[redacted] In July, the Karanga again were outmaneuvered when the Zezuru and their Manyika allies forced new party elections in Matabeleland North Province in which Karanga candidates were defeated. The Karanga concluded that the Zezuru and their allies were determined to reduce Karanga influence at the upcoming party congress, [redacted] 25X1 25X1 25X1 25X1

The Party Congress

Most observers report that the most prominent feature of the ZANU party congress was the behind-the-scenes machinations by which the Zezuru were able to control the party's leadership positions at the expense of the Karanga. Despite Mugabe's self-proclaimed efforts to put an end to tribalism, he apparently condoned widespread manipulation of the ZANU Central Committee nomination list. Those candidates which Mugabe disliked—including Zvobgo and Minister of Trade Hove—were removed as a warning to party dissidents, [redacted] 25X1 25X1 25X1 25X1

The Karanga leadership privately blamed their poor showing at the congress on the Zezuru and Manyika. [redacted] 25X1 25X1 25X1

[1] The Shona are an ethnolinguistic group composed of six basic subgroupings: Karanga, Zezuru, Manyika, Korekore, Ndau, and Kalanga. [redacted]

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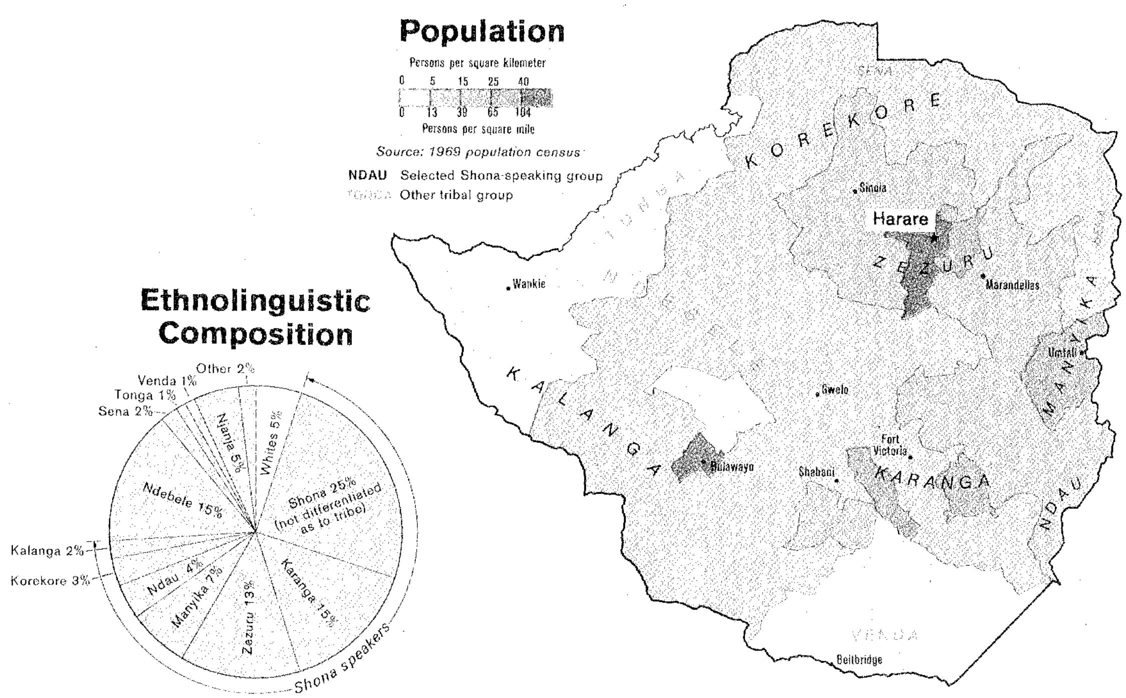
The Divided Karanga

The Karanga also are plagued by internal rivalries. Deputy Prime Minister Muzenda, the recognized leader of the Karanga, is bitterly at odds with the politically ambitious Zvobgo. Muzenda, along with another powerful Karanga—Minister of State Security Munangagwa—are accused by tribal militants of being Mugabe loyalists who have betrayed subethnic interests in the name of party and personal loyalty. [redacted] 25X1

[redacted] 25X1



[redacted]

Internal Manyika Divisions

The Manyika also are concerned about losing influence in ZANU and the government, [redacted] The Manyika played a major role during the war and believe the party has failed to reward them adequately. As a result, disgruntled Manyika members of ZANU have tried to organize to challenge Mugabe's leadership. [redacted]

A Manyika challenge to Mugabe could come from Edgar Tekere, who remains the undisputed leader of the Manyika despite his removal from national office 25X1
in 1981. The controversial Tekere was suspended as Secretary General of ZANU following involvement in a murder for which he was subsequently acquitted on a technicality. Nonetheless, grassroots support among 25X1
his fellow Manyika secured his election in 1983 as 25X1
party chairman of Manicaland Province. [redacted] 25X1

Tekere, however, faces a strong leadership challenge from ZANU Secretary for Administration 25X1
Nyagumbo, a leader among Manyika intellectuals 25X1
and a close adviser to Mugabe, who emerged as a power broker at the party congress. Nyagumbo is challenging Tekere for control of party affairs in Manicaland Province [redacted] 25X1

Zimbabwe's Shona People

The Karanga
The Karanga comprise 27 percent of the Shona population. Their organization and influence extend throughout the country—in Matabeleland, in Midlands, and parts of Manicaland, as well as in their home region of Masvingo—in sharp contrast to those of the other Shona subgroups. The Karangas traditionally have been aggressive and ambitious—excessively so, in the eyes of their critics.

The Zezuru
The Zezuru comprise 22 percent of the Shona population and inhabit the Mashonaland areas of north-central Zimbabwe. Prime Minister Mugabe is largely responsible for the preeminence of fellow Zezuru within ZANU, but other Zezuru hold considerable power in their own right. Several Zezuru who lack strong party roots seem to be influential with Mugabe: Minister of Information Shamuyarira, Minister of Foreign Affairs Mangwende, and Minister of Finance Chidzero.

The Manyika
The Manyika comprise 16 percent of the Shona population and live in the eastern part of the country along the border with Mozambique. Among Manyika leaders, ZANU Secretary of Administration Nyagumbo appears to be the most influential on the national level, but Edgar Tekere remains the dominant figure in Manicaland Province.

The Korekore
The Korekore comprise 15 percent of the Shona population and live in northern Mashonaland. They are traditionally aligned with the Zezuru. Minister of Community Development and Women's Affairs Teurai Ropa Nhongo is a prominent Korekore. 25X1

The Ndau
The Ndau comprise for about 6 percent of the Shona population, live in southeastern Zimbabwe, and also are found in Mozambique. They provide the base of Ndabaningi Sithole's breakaway ZANU faction and therefore lack representation at top ZANU party levels. 25X1 25X1

The Kalanga
The Kalanga, who inhabit the far western part of the country, comprise 6 percent of the Shona population. While linguistically related to the Shona, they tend to identify with the Ndebele population of Matabeleland. The most prominent Kalanga in ZANU is Minister of Mines Callistus Ndlovu, a former Zimbabwe African People's Union member. 25X1 25X1

25X1

Prospects
ZANU always has been a highly factionalized party. Personal rivalries, differing political views, and—most important—subethnic jealousies caused sporadic intraparty violence during the war for independence. As the political fortunes of the Zimbabwe African People's Union begin to fade, diminishing the need for ZANU party unity, the subethnic divisions within Mugabe's party will increase. If Mugabe should fail to dampen the emerging tensions within ZANU, we believe dissatisfied elements in the party might use subethnic power bases as a foundation for challenging the Prime Minister's leadership. 25X1

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South Africa: Black Miners Hold Conference

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The National Union of Mineworkers (NUM)—the largest independent black labor union—voted at its annual conference in January to register with the government and press harder for the elimination of remaining regulations reserving jobs for whites. Even though NUM representatives criticized the Council of Unions of South Africa (CUSA), they did not vote to leave CUSA.

Increasing Influence

The three-year-old NUM, led by Cyril Ramaphosa, has grown significantly in influence and visibility during the past five months. Last September, the union led South Africa's first legal strike of black miners under labor reform laws passed in 1979. Although union leaders were unable to prevent the walkout at eight gold mines from turning violent and won only limited concessions, the strike established the union's strength even among nonunion miners, despite having to follow cumbersome legal procedures. A second NUM strike in December—against a coal mine in Transvaal Province—received support from 90 percent of the work force, although it ended without resolving the dispute over wages.

According to Embassy sources, the NUM also appears to have been behind the recent announcement by CUSA that a national strike may be called to protest the firing of over 5,000 employees of the government-owned synthetic fuel company. Nevertheless, relations between the NUM and CUSA remain generally poor, with the NUM pushing for CUSA to merge with the rival Federation of South African Trade Unions. Officials from several other CUSA unions—who want to remain true to its black consciousness roots—fear that a merged "superfederation" would be dominated by white influence.

Significance of the Conference Resolutions

The issue of whether to register with the government has divided black unions, many of which resist what they view as an act of collaboration. Registered unions, however, have certain tactical advantages. In particular, they can benefit more easily from a payroll deduction system that automatically collects union dues from the paychecks of members.

Union officials claim that some 20,000 black miners would qualify for promotions if not barred by whites-only job reservations, which have been eliminated officially in all major industries except mining. Powerful white miners' unions have blocked previous efforts to eliminate these restrictions. Quick resolution of this highly emotional issue appears unlikely.

Outlook

Although the NUM probably will continue to increase its membership and influence, mineowners will retain relatively firm control over the labor negotiation process unless further reforms are enacted. Closed shops, in which all workers must join the union, are illegal in South Africa. In the event of a strike, the mineowners can dismiss striking miners and hire from a large pool of unemployed workers. The well-organized mineowners also are represented in labor negotiations by a central organization, the South African Chamber of Mines.

In cases where solidarity among striking miners breaks down, factional violence is likely. We believe that the job reservation issue has high potential for violent conflict, primarily because abolishing whites-only regulations would benefit only those black miners qualified for promotion. Nevertheless, the conference resolution to push for the elimination of remaining job reservations probably will be an important demand in annual wage negotiations next May. White miners probably will not concede the issue, making a black miners' strike likely later this year.

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Angola: Ruling Party Conference

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The Popular Movement for the Liberation of Angola's (MPLA's) first national conference from 14 to 19 January set forth an ambitious program to tackle the country's problems. The policies, which the MPLA apparently hopes to begin implementing immediately, are intended to produce positive results in time for its second ordinary party congress, slated for December 1985.[1] At that time, party chief dos Santos probably hopes to be able to point to a number of successes before a national and international audience, as Angola begins its second decade of independence. Dos Santos announced no personnel shifts, but the negative tone of his remarks undoubtedly has fueled speculation about upcoming changes in Luanda.

Dos Santos's Speech

Dos Santos set the stage in his opening address by criticizing the party's lackluster performance and calling on the 552 delegates to rededicate themselves to ensuring the leading role of the MPLA in Angola. Dos Santos's generally upbeat tone did not conceal his criticism of the party for failing to establish a stronger grassroots base. He implied that the successes of the UNITA insurgents are due in part to the lax attitudes of MPLA members. He cited numerous shortcomings in the party as contributing to the country's current problems, including:

- A lack of liaison and communications between central and provincial authorities.
- The failure of a number of MPLA organs (unspecified) to assert their authority.
- Theoretical and educational shortcomings among party members.
- A lack of discipline and determination on the part of many members in carrying out MPLA policies.

[1] The first MPLA ordinary congress was held in 1977, an extraordinary congress was held in 1980, and the second ordinary congress is scheduled for December 1985.

Dos Santos also complained about the party's inability to attract new members. At one point he candidly admitted that the MPLA is having difficulty winning supporters in the countryside, a problem that he asserted could "threaten the future of the socialist revolution." Historically, the MPLA has been a narrow-based, elitist organization. Dos Santos came close to admitting that the MPLA is in danger of losing the contest with UNITA to attract nationwide support. 25X1

Turning to foreign relations, the Angolan leader expressed appreciation to the Soviet Union, Cuba, and Angola's other socialist allies for their support. In a statement aimed at critics of the regime's underwriting of the Cuban presence in Angola (estimated to cost more than $120 million a year), he asserted that Havana had stopped accepting payment for its civilian workers in Angola. 25X1 25X1

Dos Santos continued to express his desire for a negotiated withdrawal of Cuban and South African troops from Angola but adhered to Angola's previously stated position that South African forces must withdraw from Namibia as a prerequisite to a Cuban withdrawal. He indicated that Luanda remains interested in a dialogue with the United States and South Africa concerning a settlement in Angola. 25X1

The Resolutions

The conference adopted a lengthy set of resolutions emphasizing three main goals:

- To strengthen the leading role of the party.
- To develop material production, social development, and improved standards of living.
- To strengthen the defense and security of the country. 25X1

The conference resolutions reinforce an implied threat in dos Santos's speech to oust MPLA members who 25X1 do not redouble their efforts to get the economy on its feet and press the war against UNITA. Specifically, the resolutions assert that the MPLA must fight against the "incorrect behavior of some leaders, cadres, and party members." 25X1

Former Foreign Minister Jorge presented the conference resolutions. Jorge was ousted last October in what was rumored to be a policy dispute over the wisdom of pursuing a negotiated settlement with the South Africans through American intermediaries. The choice of Jorge suggests that he is still influential in senior government circles. In view of his previous advocacy of closer ties to the Soviets and Cubans, it serves as a reminder that, if the negotiations do not show some progress, dos Santos has the alternative of increased dependence on Moscow and Havana in his efforts to defeat UNITA. 25X1

As a first step toward rectifying the problems dos Santos outlined, the conference announced the creation of five commissions: the commission to strengthen the leading role of the party, the commission on managing the economy, the productive sector commission, the social sector commission, and the defense and security commission. These commissions undoubtedly are intended to facilitate decisionmaking in the country's top-heavy and inefficient bureaucracy—now manned by unskilled members of the ruling party. Dos Santos streamlined the country's defense and security apparatus in early 1984 and evidently hopes to use the same formula elsewhere. In the process, dos Santos places people loyal to himself in key positions to strengthen his power base. 25X1

Outlook

The commissions and the resolutions adopted at the conference are unlikely to produce results in time for the party congress. The nation's economy (with the exception of the petroleum industry) is in shambles, and UNITA still retains military momentum. The conference, however, has given MPLA members a clear set of objectives as well as a warning of the consequences of continued failures. 25X1

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Nigeria: Soviet Development Project Collapses [redacted] 25X1

Work on the Nigerian iron and steel project at Ajaokuta, a Soviet-aided showcase project, has halted after more than 20 years of planning and construction that has cost Lagos $6.1 billion. Nigeria stopped payments to Moscow last October after the Soviets refused to submit deliveries to price and quality controls. [redacted] Moscow has provided $1.2 billion in credits, and more than 4,000 Soviet technicians have worked on the complex during the past five years. In 1983, one light section rolling mill began to operate at Ajaokuta using materials imported from Western Europe, but by 1984 it had been virtually abandoned. [redacted] 25X1

Nigeria's dream of a self-sufficient steel industry dates back to 1958. At that time, a British feasibility study urged the project be canceled because of the lack of essential raw materials, which would have to be imported. Instead, Nigeria turned to the Soviet Union, and, in 1968, Soviet geologists recommended construction of the Ajaokuta facility. [redacted] 25X1

Ajaokuta was planned as a fully integrated steel plant based on blast furnaces and loans provided by the Soviet Union. Plagued by poor Soviet planning—USSR-made blast furnaces were outmoded from the start—costs became prohibitive when Lagos discovered it would have to import iron ore of a higher grade than Nigeria possessed domestically. Moreover, Ajaokuta's inland location added to costs because most construction material had to be transported from ports to the site over inadequate roads. Even if completed, the project could not produce steel at a competitive price. [redacted] 25X1

Although the Ajaokuta project appears dead for all practical purposes so long as Nigeria's economic crisis continues, Lagos has sought to give the impression that it remains alive. In a nationwide speech on the budget last month, Head of State Buhari announced that due to a shortage of funds the completion of the Ajaokuta steel project has been extended to 1988—a target we believe unrealistic. Lagos is reluctant to abandon the project completely because it has invested so much prestige and hard currency. Moscow also has touted it as a model for development in Sub-Saharan Africa and would like to maintain this tie with black Africa's most populous state. [redacted] 25X1 25X1

[redacted] 25X1

Africa Briefs

Zaire-Israel

$400 Million Headache? 25X1

Zaire's premature announcement of a multinational investment group's agreement in principle to invest $400 million in Zaire could embarrass President Mobutu's government enough to mar presently good Zaire-Israeli relations. According to the Zairian press, a consortium headed by Jewish industrialist Leon Tamman plans to purchase a 40-percent interest in Zairian airline, shipping, and pharmaceutical parastatal corporations, and fund banking, communications, forestry, and drug companies. Furthermore, the US Embassy reports that the group is exploring investing in grain mills, power stations, and hotels. 25X1

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Israeli President Herzog is encouraging private Jewish investors such as Tamman to invest in Zaire because financial difficulties limit Israel's ability to increase official assistance. Israel would like to appear forthcoming in its promises to aid Zaire before Mobutu's planned visit this March. Israeli economic aid is limited to technical advisers, and a military training program has been hampered by lack of funds for transport and other necessities, according to the US Embassy. 25X1

In our view, Mobutu's lavish hosting of Tamman and Herzog's public identification with the projects could lead to major disappointments and frayed bilateral relations if the investments do not meet Kinshasa's high expectations. The US Embassy reports that many of the proposals are not fully developed, that Tamman's Scandinavian partners are having second thoughts, and that Tamman's financial credentials may be suspect. 25X1

South Africa

Energy Prices Soar 25X1

Pretoria has announced sharp increases in domestic fuel prices as a result of the declining exchange value of the South African rand, which has fallen nearly 40 percent against the dollar in the past year. The price of gasoline has risen 40 percent. Although Pretoria claims energy price increases will add only 2 percentage points to the prevailing 13-percent inflation rate, some private economists are predicting rates as high as 18 percent for the year. Moreover, energy price increases probably will be passed along in higher utility charges for residents in black townships. Such increases have triggered racial unrest in the past. 25X1

[redacted] 25X6

Namibia

SWAPO's Divided Leadership [redacted] 25X1

Ferment in the SWAPO leadership is disrupting the work of the Central Committee, [redacted] A SWAPO Central Committee session scheduled for late January was suddenly postponed, apparently when minority tribe members of the Central Committee responsible for preparing the meeting did not complete preparations. They resent and fear the Ovambos, who hold over three-quarters of SWAPO's key leadership positions and have been purging party members from minority tribes, [redacted] The contentious issue of formally naming acting Defense Minister Richard Kapelwa—a Caprivian—to the defense post has been raised again. The appointment would be opposed by Ovambos, who hold all other key military-related posts in SWAPO. Other divisive issues include, personal rivalries, allegations of incompetence, and disagreement over military tactics. [redacted]

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25X1

Tanzania

Treason Trial [redacted] 25X1

The long-awaited treason trial of 19 Tanzanians accused of plotting to overthrow President Nyerere in January 1983 began in Tanzania's high court in late January. Domestic interest in the testimony remains high, as high-level political and military figures reportedly are concerned that the accused will implicate prominent officials in the plot. At a minimum, senior officials are concerned that the defendants will voice the deep discontent that exists within the lower ranks of the military. For their part, lower ranking military personnel, already frustrated over economic conditions, probably will watch the proceedings closely to see if only junior officers are punished while senior personnel escape blame. The long delay in holding the trial makes it unlikely that others—particularly high-level government officials—will be charged. This makes it increasingly likely that Nyerere will soon face more discontent among his military rank and file. [redacted] 25X1

Botswana

Cabinet Shakeup [redacted] 25X1

President Masire reshuffled his Cabinet on 28 January in an effort to strengthen personal control over the government and his ruling party. He dropped two ministers charged with incompetence and gave a less powerful portfolio to a third. According to US Embassy reporting, the most significant change was the appointment of party loyalist Ponatshengo Kedikilwe as Minister for Presidential Affairs and Public Administration—the post responsible for the Army and police. The changes apparently were designed to curb growing criticism of Masire's leadership and offset recent political gains by the opposition. [redacted] 25X1

Swaziland

Curbing Political Dissent [redacted] 25X1

Swazi strongman Prince Mfanasibili has purged antigovernment opposition within academia, the Army, and police, according to US Embassy reporting. On 11 January the government closed the university, which it considered a hotbed of radicalism, and followed up a few weeks later by charging four senior Army and police officials—all Mfanasibili opponents—with sedition. Although there has been no organized resistance so far, the potential for domestic violence is increasing as Mfanasibili and his supporters resort to more heavyhanded tactics to crack down on opponents and consolidate their hold on power. [redacted] 25X1

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